Press Release

Hariom Polypacks Limited

July 04, 2024

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	51.76	ACUITE A- | Stable | Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A2+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	54.76	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating to **'ACUITE A-' (read as ACUITE A minus)** and short-term rating to **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs.54.76 crore of bank facilities of Hariom Polypacks Limited. The outlook is **'Stable'**.

Rationale for Rating

The rating takes into consideration the experienced management, diversified product range supported by track record of the group. The financial risk profile of the group is moderate marked by healthy adjusted net worth, moderate adjusted gearing and comfortable debt protection metrics. The aforesaid factors are offset by the working capital-intensive nature of operation and susceptibility of profits to raw material price fluctuations.

About the Company

Hariom Polypacks Limited was incorporated in 2010 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma. The company is engaged in manufacturing non-woven sacks and fabrics. The company has its manufacturing facility located in Asansol, West Bengal with an installed capacity of 7705 MTPA and working at ~86% capacity in the FY24(Prov).

About the Group

Shri Maa Polyfabs Limited was incorporated in 2005 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma. The company is engaged in manufacturing of bulk packaging material such as woven sacks, fabrics and leno bags made of polypropylene (PP) and high-density polypropylene (HDPE). Currently the company has installed capacity of 16100 MTPA and working at ~99% capacity in the FY24(Prov). The company is also a delcredere agent for Brahmaputra Crackers and Polymer limited (rated ACUITE AA+/Stable/A1+). The registered office of the company is in Kolkata.

Shri Dakshineshwari Maa Polyfabs Limited was incorporated in 2016 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma. The company is engaged in manufacturing of printed plastic bags, Leno bags, Cement bags and Adprotex Bags made of polypropylene (PP) and high density polypropylene (HDPE). The company has its manufacturing facility located in Hooghly, West Bengal with an installed capacity of 19500 MTPA and working at ~97% capacity in the FY24(Prov).

Manhar Polymers Private Limited was incorporated in 2017 by Mr. Sajjan Bansal and Mr. Rakesh Kumar Sharma and started its commercial operation form June 2020 onwards. The company is engaged in manufacturing polypropylene (PP) and high-density polypropylene (HDPE) bags and fabrics. The company has its manufacturing facility located in Asansol, West Bengal with an installed capacity of 7200 MTPA and working at ~76% capacity in the

FY24(Prov).

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
Acuité has revised the approach and excluded Asansol Polyfabs Pvt Ltd as the company has already been merged with Shri Maa Polyfabs Limited with effect from 1 st April 2021. Hence, Acuité has considered the consolidated financial and business risk profile of Shri Maa Polyfabs Limited (SMPL), Hariom Polypacks Limited (HPPL), Shri Dakshineshwari Maa Polyfabs Limited (SDMPL) and Manhar Polymers Private Limited (MPPL). The same is on account of common management, same line of operations and significant operational and financial linkages. The group is herein being referred to as Shri Maa Group.

Key Rating Drivers

Strengths
Experienced management and established track record of operations
Shri Maa group was established in the year 2002 by Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma. The promoters of the group have more than two decades of experience in the plastic and packaging industry. The extensive experience of the management has helped the group establish long-term relations with suppliers resulting in direct procurement of polypropylene from Haldia Petrochemical Limited (HPCL), Reliance Industries Limited (RIL), and Indian Oil Corporation Limited (IOCL) among others. Moreover, their experience has also helped in building healthy customer relations with reputed customers in cement industry such as Birla Corporation Limited, Reliance Retail Limited, India Cement Limited, JSW Cement Limited, and among others in the eastern part of the country. Acuité believes that the group will continue to benefit from long experience of the management in establishing relations with their key suppliers and customers.

Improvement in scale of operations and profitability
The revenue of the group stood healthy at Rs.728.26 crore in FY2024(Prov) as compared to Rs.699.40 crore in the FY 2023 and Rs 649.13 crore in FY22. This increase in revenue of the group during FY2024 is on account of increase in volumes sales, despite a decline in price realization. Operating margin of the group has moderated to 9.18 percent in FY2024(Prov) as compared to 8.99 percent in the FY 2023 and 13.5 percent in FY2022. During and post covid many small players in the industry had to shut down their business to meet the high working cycle demand, supply chain and labour issues. To fulfil the demand, cement companies were providing the incentives and premium for timely and bulky delivery and group was getting the advantage of the same. The company had also undertaken opportunistic manufacturing of PPE kits which led to high margin during that period. Likewise net profitability margin of the group has also improved to 2.53 percent in FY2024 (Prov) as compared to 1.88 percent in FY2023 and 3.60 percent in FY2022. Based on that margins were reflected on higher side. Acuité believes the profitability margin of the group will be sustained at current levels over the medium term on account of well-established position in the eastern market steady demand for PP bags mainly from the cement industries along with capacity additions and backward integration in FY25.

Moderate financial risk profile
The financial risk profile of the group is marked by healthy adjusted net worth, moderate gearing and comfortable debt protection metrics. The adjusted net worth of the group stood healthy at Rs.263.82 crore in FY 2024(Prov) as against Rs 227.45 crore in FY2023 and Rs 200.46 Cr. in FY22. This improvement in networth is mainly due to the retention of current year profit,

increase in share capital, increase in security premium. Acuite has also considered Rs.25.39 crore of unsecured loan as quasi capital as the same amount is subordinated with the bank debt. The adjusted gearing of the group stood moderate at 1.16 times in FY24(Prov) as against 1.39 times in FY23 and 1.35 times in FY22. This improvement in overall gearing is on account of increase in networth during the period. However, Interest coverage ratio (ICR) has moderated and stood at 2.77 times in FY2024(Prov) as against 2.39 times in FY 2023 and 4.07 times in FY2022 mainly because increase in the usage of bank limit utilisation led to increase in interest cost of the group and the same had improved in the FY24 as compared to FY23. Even the debt service coverage ratio (DSCR) of the company is decline and stood at 1.30 times in FY2024(Prov) as against 1.37 times in the FY2023 and 1.94 times in the FY 2022. The net cash accruals to total debt (NCA/TD) also moderated at 0.13 times in FY2024(Prov) as against 0.11 times in the FY 2023 and 0.22 times in the FY 2022. Going forward, Acuite believes the financial risk profile of the group will remain at similar levels on account of steady net cash accruals over the near term and absence of any major capex plan over the medium future.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the group is marked by high gross current asset (GCA) days of 194 days as on 31st March 2024(Prov) and as compared to 196 days as on 31st March 2023 and 166 days as on 31st March 2022. These high gross current asset (GCA) days are mainly on account of high other current asset of Rs.80.45 crore during 31st March 2024(Prov) which mainly consists of statutory deposits, other receivables, and other current assets. However, the inventory holding period of the group stood moderate at 70 days in FY2024(Prov) as compared to 68 days in the FY 2023 and 69 days in the FY 2022. The collection period of the group is also stood moderate at 83 days during 31st March 2024(Prov) as compared to 92 days in the FY 2023 and 73 days in the FY 22. The creditors holding period of the group improved and stood at 32 days in FY2024(Prov) as compared to 43 days in the FY 2023 and 28 days in the FY 2022. The group has utilized ~86 per cent of its working capital limit facility for the last six months ended March 2024. Acuité believes any significant deviation in working capital management would be a key rating sensitivity factor.

Susceptibility of profitability margins to fluctuations in prices of raw material and competitive and fragmented nature of operations

The basic raw materials required by the group are plastic granules which is crude oil derivative. The prices of the commodities are subject to volatility in line with those of global crude oil prices. Further, the group is operating in competitive and fragmented nature of industry. There are several players engaged in the Plastic Packaging industry in organized and unorganized sector. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value-added products in the product offerings.

Rating Sensitivities

- Sustenance in turnover growth and stability in profitability margin.
- Any deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position.
- Larger than expected debt funded capex plans

Liquidity Position

Adequate

The group has adequate liquidity marked by healthy net cash accruals of Rs 39.95 crore as against Rs 24.93 crore long term debt obligations in FY2024. The current ratio of the group stood comfortable at 1.38 times in FY2024(Prov) as against 1.27 times in FY2023 and 1.43 times in FY 2022. The working capital-cycle of the group is intensive marked by Gross Current Asset (GCA) days of 194 days in FY2024(Prov) as against 196 days in FY2023 and 166 days in FY 2022. The bank limit of the group has been ~86 percent utilized during the last six months ended in

March 2024. The promoters have the flexibility to infuse funds in business as an when need basis as is evident from unsecured loans of Rs. 25.39 Cr. as on March 2024.Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes that Shri Maa Group will maintain a 'Stable' outlook over the medium term owing to its promoters’ extensive experience in the industry and longstanding relations with clientele.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	728.26	699.40
PAT	Rs. Cr.	18.44	13.12
PAT Margin	(%)	2.53	1.88
Total Debt/Tangible Net Worth	Times	1.16	1.39
PBDIT/Interest	Times	2.77	2.39

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Apr 2023	Proposed Long Term Bank Facility	Long Term	10.66	ACUITE A- | Stable (Reaffirmed)
	Cash Credit	Long Term	29.50	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	8.73	ACUITE A- | Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	5.37	ACUITE A- | Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A2+ (Reaffirmed)
24 Mar 2023	Proposed Long Term Bank Facility	Long Term	10.66	ACUITE A- | Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	5.37	ACUITE A- | Stable (Reaffirmed)
	Cash Credit	Long Term	29.50	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	8.73	ACUITE A- | Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A2+ (Reaffirmed)
03 Mar 2022	Proposed Long Term Bank Facility	Long Term	4.51	ACUITE A- | Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	8.10	ACUITE A- | Stable (Upgraded from ACUITE BBB+ | Stable)
	Cash Credit	Long Term	29.50	ACUITE A- | Stable (Upgraded from ACUITE BBB+ | Stable)
	Term Loan	Long Term	12.15	ACUITE A- | Stable (Upgraded from ACUITE BBB+ | Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	0.50	ACUITE A2+ (Upgraded from ACUITE A2)
04 Jun 2021	Working Capital Demand Loan (WCDL)	Long Term	5.48	ACUITE BBB+ | Stable (Assigned)
	Term Loan	Long Term	13.28	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Stand By Line of Credit	Long Term	1.00	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Cash Credit	Long Term	29.50	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Letter of Credit	Short Term	1.00	ACUITE A2 (Upgraded from ACUITE A3+ & Withdrawn)
	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A2 (Upgraded from ACUITE A3+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A2+ | Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.50	ACUITE A- | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	Simple	0.41	ACUITE A- | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	3.17	ACUITE A- | Stable | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.83	ACUITE A- | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	4.85	ACUITE A- | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	Simple	7.00	ACUITE A- | Stable | Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Shri Maa Polyfabs Limited
2	Hariom Polypacks Limited
3	Manhar Polymers Private Limited
4	Shri Dakshineshwari Maa Polyfabs Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.